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Family ownership, information problem and firm performance

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This paper reviews recent corporate financial literature dealing with family business issues. It discusses research papers that explain the nature and type of agency problems in family firms. It provides empirical evidence of the association of family ownership with information asymmetry. It also portrays the influence of family firms over corporate disclosures. We have analyzed literature to explain the empirical association between family ownership, and so ownership control, and firm performances. This paper also attempts to find out the research gap based on reviewed papers and tries to give the future directions of research in this regard.

Introduction

The concept of family business is multidimensional. In the first section of review paper we have identified and classified family business in terms of family ownership, percentage of voting rights, generational dispersion, control, management and business value.

In business organization there are lots of parties involved. Conflict arises among these parties because everyone is interested in serving their own interest. In the second section we have reviewed papers explaining nature and types of agency conflict in family business. Researchers have two perspectives in this regard. One perspective says agency conflict is lower in family business because of lower separation between owner and manager whereas other perspective argues that agency conflict is severe in family business because of exercise of control of majority shareholders over minority shareholders.

Following the second perspective we have investigated the consequences of family ownership on firm transparency and performance. In the third section reviewed papers indicate positive association between family ownership and information asymmetry. Here researchers pointed out that family business use organization information for their private benefit only and they are conservative in disclosing internal information. From their view point existence of poor governance in family business leads to such lack of transparency.

In the fourth section we have reviewed paper to investigate empirical association between family ownership and firm performance. The motivation comes from the thought that the way family owners exploiting minority shareholders in terms of providing information whether they are doing same in case of distributing financial resources or not. There are different viewpoints in this regard. According to some studies family firms perform well because of low type I agency conflict whereas other studies have found exploitation of financial resources by family business due to high type II agency conflict. However some research finds nonlinear and no relationship between family ownership and firm performance.

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The paper follows exploratory approach here. The study is qualitative in nature. Secondary data including articles, journals, conference papers, website information has been used. The choice of papers for review purpose is based on certain keywords like family ownership, firm performance, and agency conflict and information problem. The period consideration for the selection of papers is random.

Theoretical and Conceptual Background

Defining Family Firms

Research on family business has become significant nowadays as they constitute more than half of the business cooperation of the world. Several studies define family business from different angles. Heck and scannell (1999), Gomez- Mejia et al. (2007) descried a business as a family business if it is owned by one or more family members who hold substantial portion of the shares of the business. Fama and Jensen (1983), Demsetz (1983) also highlightened higher ownership stake as primary condition of being family firm. Cheng (2014) identified poorly diversified portfolios in family business where firms hold 17% of the shares in their firms on average and 69.5% of founding families hold more than 5% ownership whereas 24.7% of them hold more than 25% ownership.

Family ownership also exists where ownership is transferred to next generations of same family. Chua et al. (1999) denoted family business as business dominated by few or small group of family members where ownership controls is sustainable among generations of the family or families. Astrachan and Shanker (2003) identified that in family business generational ownership dispersion exists. They defined this as the number of family generations that hold ownership control.

However, there are also some studies where ownership was not used as the criteria to identify a family firm. A firm can be defined as family firm if owners have significant voting rights or control over strategic decision of the business (Astrachan and Shanker 2003, Mc Adam et al. 2010). Amit and Villalonga (2006) found that in a family firm it is the family members serve as board of directors or boards of directors have family relationship among them. Cheng (2014) stated a family as a firm where family members manage the business as top executives or board of directors. In his study he found that in 62% of family business CEO and owner is the same person, 98.4 % of family business appoints at least one member whereas 23% of family business appoints two or three family members as board of directors. Gallo (2000) defined a family business is a business where family members and business have similar values and assumptions.

Family ownership and Agency Conflict

A firm can be viewed as a set of contractual relationships among various parties. Interest among such parties may not align in every case which causes a conflict in an organization. This conflict may occur between owner and manager. This conflict is also known as Type I agency conflict. Jensen & Meckling (1976) showed agency cost as the sum of monitoring cost, bonding cost and residual loss. They explained how agency costs depends on concentrated ownership structure. They used agency cost (measured in units of current wealth) as dependent variable and fraction of outside financing obtained from equity as indenpent variable. They found that agency cost is zero when outside equity is zero; which indicates that in family busines agency conflict is low than non-family business.

Cheng (2014) in his review paper on family firms opined that family firms face less severe Type I agency conflict than non-family firms. He identified four reasons behind this concept. Firstly, in family business monitoring cost is very low as owners play the role of managers. Secondly, founding families likely to have much extended investment horizons than other shareholders. Here firm survivality is higher as firm is viewed as an asset which will be passed to future generations. Thirdly, family reputation is a matter of concern in family business. Therefore, they try to keep long term relatioship with othershareholders like banks, suppliers, and customs. Fourthly owner and CEO is the same person so there is no misalignment of interest.

Outcomes of family firms have been investigated through the lens of agency conflict in various studies. Mc Conaughy et al. (2001) run a regression between family control (independent variable) and performance, capital structure, value (dependent variable) over 219 family-controlled firms. He observed that family firms have greater value, operate efficiently and carry less debt because of reduced agency costs. Anderson and Reeb (2003 a) conducted a reserch over 141 family and 262 nonfamily firms. They used firm type as independent variable and performance (measured in terms of Tobin's q and ROA) as dependent run a regression. They found that family firms performed better than non-family firms and family ownership structures reduce agency cost. Herrero (2011) run a regression between relationship of owner-manager and efficiency over 58 family and 33 non-family firms. He identified lower agency problem in family firms and family firms outperform than non-family firms.

In family business seperation of owner and manager is low becasue family members hold important managerial positions. But sometimes adverse selection agency problems arise where family members select less qualified family member rather than qualified family member. Such selection process can affect family performance. Barth et al.(2005) run a regression over 220 family firms and 218 nonfamily firms of Norway. They used firm type and family management as independent and firm productivity as dependent variable. Their identified moral hazard agency problem in family-based firms. They highlightened that family firms were less productive than non-family firms if they are managed by family members. Cucculelli et al.(2014) run a regression between firm type (independent variable) and performance (dependent variable) measured in terms of total factor productivity over 1835 family and 1085 non-family firms of Italy. They found that because of family entrenchment and alturism family firms were less effiicient than non-family firms. Sciascia and Mazzola (2008) showed that family management can decrease performance because of lower professional competencies. They run a regression between family involvement and performance over 620 firms of Italy.

Madison et al.(2016) in their study on family firm behavior & governance review paper identified that family business is surrounded by family relationships which leads to alturism. Alturism means unselfish behavior among family members. Thus family members are reluctant to monitor themselves or shirk their responsibilities and are engaged to obtain private goals at the expense of minority shareholders. Such activities create another conflict between majority and minority shareholders termed as type II agency conflict. Ali et al.(2007) conducted a regression analysis to identify disclosure practise of 177 family firm and 323 nonfamily firms of U.S.A. They used firm type as independent variable and corporate disclousre as dependent variable. They identified that family firms have lower agency problem I but severe agency problem II arise from conflict between controlling and noncontrolling shareholders.Their findings also suggested that family firm provide fewer disclosures about their corporate disclosure practise. Rahman (2015) established regression analysis between disclosure index (dependent variable) and ownership concentration (independent variable) over 94 non-financial companies that are listed in the Dhaka Stock Exchange. He found that disclosure regime with higher ownership concentration are biased against external shareholders and creditors.

Islam et al.(2010) on the basis of literature survey and secondary information tried to potray characteristics of agency problems of Bangladseh. They highlightened role of audit committee to mitigate such problems.He opined that in Bangladesh most of the companies are family-owned where dispersed corporate ownership is only exception. Here institutional investors do not hold shares in corporate sectors because of lake of faith in business community. They do not play any siginificant role in corporate governance mechanisms of companies. In case of appoinment of directors company acts are rarely followed. Due to concentrated ownership lack of professionals become company dirctors who misuse financial resources of companies by putting pressure on banks. In Bangladesh conflict between majority and minority shareholder is severe where interests of minority shareholders are ignored or suppressed.

Information problem in Family controlled Business:

Jabeen and Shah (2011) defined information asymmetry as availability of information to board of directors rather than other investors or information differentiation among several investor groups (for e.g. majority and minority shareholders).They had shown the evidence that the information asymmetry problem is severed in developing countries compared to the developed countries. They found that information asymmetry is the major problem in family firms compared to non-family firms because of agency problems between controlling and minority shareholders in family firms, therefore, they have suggested that the extensive corporate disclosure and independence of corporate board may the optimum ways to minimize the information asymmetry among the shareholders.

In family firms information asymmetry becomes a problem where majority shareholders use abounded information to exploit minority shareholders. Howorth et. al (2004) found existence of information asymmetry in family firms through regression analysis between ownership structure and information asymmetry. They identified that family based organization exhibited opportunistic behavior in their dealings by having excess amount of information.

Kubota and Takehara (2013) investigated whether the information asymmetry is higher for bad news of the family firms compared to the non-family firms. They performed a cross section regression tests. Here the authors considered three types of family firms as: Type 1: more than 10 % shareholdings and CEO from family, Type 2: more than 10 % shareholdings, but CEO is not from family and Type 3: less than 10 % shareholdings, but CEO is from family. They used the model in three panels as panel-A, panel-B and panel-C. Their dependent variable in panel-a was "Net Income", in panel-B was "Extraordinary Income" and in panel-C was "Extraordinary Loss" and independent variables ware "Stock Return", "Percentage of Shares Owned by Founding Family", "Probability of information-based trades", "Probability that private information event occurs", "Probability of bad news", "Order imbalance", "market equity", "BPR", "book-to-market ratio". The authors found that family firms are more conservative regarding accounting reporting than non-family firms in Japan, though the degree of information asymmetry regarding traded stocks of family firms is higher compared to the non-family firms. They observed that in case of bad news or losses earlier family firms may be more sensitive to disclose this bad news, moreover, the owners of family firms not disclose enough information in general to outside investors which are consistent with result of Ali et. al (2007).

Chen et .al (2008) found that management forecast indicator variable is negatively correlated with the family firm indicator variable that indicates the family firms are less likely to provide forecasts and the authors referred that the family firms differ from nonfamily firms along several dimensions. The authors observed that the management forecast likelihood increases with institutional ownership, analyst coverage, return volatility, board independence, and demand for external capital. They collected information from 4,415 firm-years (family firms 2043 and non-family firms 2372) during the period 1996–2000. They have regressed the probability of management forecasts on a family firm indicator and control variables by using the logit regression model. In their model the "the probability of voluntary disclosure indicator variable" used as dependent variable and the independent variables are "Family Firms or not", "Percentage of Institutional Ownership", "Blockholder Indicator Variable", "Number of Financial Analysts following the Firm", "Analyst Forecast Dispersion", "return volatility", "board independence indicator", "board size", "a high litigation risk indicator", "total assets", "market-to-book ratio", "return on assets", "poor performance indicator".

Healy and Palepu (2001) identified that the demand for financial reporting and disclosure arises from this information asymmetry and agency conflicts between majority and outside shareholders. Nagata (2017) found that basically firms are expected to get advantage from better disclosure as revealing their private information about future cash flows, and thus decreasing the information asymmetry with their potential investors, firms reduce the costs of adverse selection imposed on (uninformed) investors. However, Nagata and Nguyen (2017) also found that higher corporate ownership is associated with lower disclosure quality and managers are unwilling to disclose private information because such disclosures reduce their ability to consume perquisites and better disclosures improve the ability of capital and labor markets to effectively screen. They performed multiple regression analysis and correlation matrix. To perform these statistical analyses, they used sample of 20,783 firm-year observations. Their dependent variable was "the number of voluntary revisions during the fiscal year" and independent variables were "Assets", "Sales", "EBET", "ROA", "Loss", "and Debt ratio "," Volatility "," Foreign "," Institutional "," Corporate "," Bank and Insiders".

Jiang et al, 2011 identified that preparation of financial disclosure can be biased against minority shareholders where controlling shareholders exercise nearly full control over major corporate decisions, including disclosure policies. They employed Ordinary Least Square (OLS) regression to examine the relationship among ownership concentration, voluntary disclosures, and information asymmetry was used as proxy by bid-ask spreads. They also performed correlation matrix, descriptive analysis and univariate analysis. They collected data from 103 firms. Their dependent variable was "scaled bid-ask spread" and independent variables were "Herfindahl index", "ownership concentration appears to be financial institution controlling or not", "ownership concentration appears to be management controlling or not", "scaled voluntary disclosure index", "absolute abnormal trading volume", "the natural log of the market value of company" and "the natural log of closing stock price on the pre-release date".

Abdullah (2015) found significant and negative relationship between mandatory disclosure levels and family control in Malaysia. He performed ordinary Least Squares (OLS), where the dependent variable was the compliance/disclosure score, tobin's q and the independent variable was the percentage of family members on the board also they have used various control variables: "the percentage of independent directors on the board", "the number of individuals on the board", "the percentage of board members with an accounting background on the audit committee", "the number of individuals on the audit committee", "number of meetings the audit committee held during the year", "the percentage of board members with an accounting background", "the number of board meetings held during the year", "the percentage of independent directors on the audit committee", "CEO serving also as Chairman or not", "manufacturing companies or not", "companies with a 'Big 4'auditor or not", "the ratio of net income to total shareholders' equity", "the ratio of current assets to current liabilities", "the natural logarithm of total sales", "the ratio of total liabilities to total shareholders' equity", compliance levels with disclosure requirements.

Chau and Gray (2002) found higher amount of disclosure with higher dispersion of share ownership. They also found negative association between family or concentrated ownership and the extent of disclosure by Hong Kong companies. They selected 60 companies from Hong Kong and 62 companies from Singapore as a sample for their study. They performed multiple regression model to examine these hypotheses. Their dependent variable was "extent of voluntary disclosure scores" and the independent variables were "firm size", "leverage", "size of auditors", "ownership structure", "profitability" and "multinationalism". Thus concentrated ownership in firms is a natural response to poor legal protection of minority shareholders from expropriation by managers (Shleifer and Vishny, 1997).

Singhvi and Desai (1971) predicted a positive relationship between dispersion of share ownership and corporate disclosure. In this paper the authors performed the multiple linear regression and descriptive analysis. For their analysis they used "Index of Quality of disclosure" as a dependent variable and their independent variables were "Index of Quality of disclosure", "Number of stockholders", "Listing status", "CPA Firm (firm size)", "Rate of return" and "Earnings margin". In addition Makhija and Patton (2004) found that when external owners are dominant and the initial level of external ownership is high, public disclosure is negatively related to the concentration of ownership in firms. They performed Correlation Coefficients and Variance Inflation Factors between Independent Variables and Regression Analysis using "Voluntary Disclosure" as dependent variable and "Firm Size", "Profitability", "Intangible assets", "Bank debt", "Manufacturing firm", "Issue additional equity", "Big 6 auditor" and "Exchange listing" as independent variables.

Jabeen and Shah (2011) revealed that the information asymmetry increases the entrenchment effect through the less transparency and lower flow of information between the family owners and other shareholders. They referred that the presence of independent directors in the board and good governance can reduce the information asymmetry as well as agency cost. La Porta et al. (1999) showed that in the developing world particularly it is a family, usually the founder of the firm or his descendants, who constitutes the controlling shareholders with majority voting rights and in consequence minority poor shareholders got poor protection. In this paper, the authors have collected information total 696 firms from different sources for 27 countries. They have used cross-sectional regression model to find out the status of corporate ownership around the world by using some variables those are "have any controlling shareholder or not", "family member is the controlling shareholder or not", "State is the controlling shareholder or not", "widely held financial company is the controlling shareholder or not", "widely held nonfinancial company is the controlling shareholder or not", "the firm both has a controlling shareholder and owns shares in its controlling shareholder or in a firm that belongs to her chain of control", "the controlling shareholder exercises control through at least one publicly traded company", "a member of the controlling family is also the CEO, Honorary Chairman, Chairman, or Vice-Chairman of the Board or not", "a financial institution controls at least 10 percent of the votes and its control chain is separate from that of the controlling owner", "a financial institution controls at least 10 percent of the votes and its control chain overlaps with that of the controlling owner", "the firm has a 20 percent controlling owner and no other shareholder has control of at least 10 percent of the votes through a control chain that does not overlap with that of the controlling shareholder''.

In a developing country like Bangladesh also, companies were mostly held by family members or group of shareholders which deters level of fairness, accountability and transparency (Ullah & Fahad, 2017). They run an econometric model over 20 commercial banks where dependent variables were credit risk and performance and independent variables were board size, board meeting, role duality age, size, audit committee, leverage were independent variable.

Haque et al.(2007) through likert scale & descriptive analysis identified that here board of directors are actively engaged in management. "Ease of Participation in AGM by the Shareholders", "Right to know Agenda, Discussion and Equity of Major Shareholders", "Disclosure and Rights of the Shareholders - nomination of candidates", "Opinion of the Management on the Rights to Disclose Information to the Shareholders", "Public Disclosure through different modes", "Performance Evaluation of the CEOs", "Role of Independent Directors in the AGM", "Presence of Committees", "Effectiveness and independence of the Audit Committee" and "Number of Board Meetings in a Year" were used variables in their study.

Infamily-based companies where management holds a major portion of boards activities of board will not be very effective as dominance of family members in company management leads to the development of a tendency for important decisions to be first made in family meetings, and then regularized in formal board meetings, making such meetings largely symbolic (Ahmed and Siddiqui 2011). Although Independent director is appointed to monitor independence of board but very few independent directors are appointed for their expertise and the priority in appointing directors are usually their personal connections to company management or having connections that can be used for the company in the future (Khan et.al , 2013). For this type of companies, public accountability may be less of an issue because outsiders' interests may be relatively small (Khan et. al, 2013). Basically they tried to examine the relationship between corporate governance and the disclosure level of corporate social responsibility (CSR) in the annual reports of Bangladeshi companies. They used a multiple regression model along with correlation matrix to identify the percentage of managerial ownership, public ownership, foreign ownership, proportion of independent directors, CEO/chair role duality and presence of audit committees' impact of corporate social responsibility disclosure. In this paper, they used six (6) independent variables as: managerial ownership, public ownership, foreign ownership, proportion of independent directors on board, CEO duality and audit committee. They also included more four (4) variables (firm size, firm age, leverage and return on assets) as control variable and their dependent variable was corporate social responsibility disclosure.

Amit & Villalonga (2004) also argued that large shareholders are using their controlling position to extract their private benefits at the expense of non-controlling shareholders. The authors of this paper comprised a panel of 52,787 shareholder-firm-year observations, representing 2,808 firm-years from 508 firms listed on the Fortune 500 during the period 1994–2000. They performed some statistical analysis as: means, standard deviations, and tests of differences in means between family and nonfamily firms in their ownership, control, governance, financial characteristics, t-statistics are based on clustered (by firm), standard errors from OLS regressions of each variable. They also performed sensitivity analyses. Their dependent variables were "Tobin's q = Ratio of the firm's market value to total assets. For firms with non-tradable share classes, the non-tradable shares are valued at the same price as the publicly traded shares" and "Industry- adjusted q = Difference between the firm's Tobin's q and the asset-weighted average of the imputed q's of its segments, where a segment's imputed q is the industry average q. Industry averages are computed at the most precise SIC level for which there is a minimum of five single-segment firms in the industry-year". They used two dependent variables for two models. Their independent variables were "ROA", "Market risk", "Idiosyncratic risk" and "Diversification". Huq and Bhuiyan, (2012) through questionnaire method of data collection over 24 randomly selected bank personnel found that due to pressure from controlling shareholders auditors fail to act independently resulting poorly audited financial statements which are adversely affecting compliance of IFRSs disclosure requirements.

Chowdhury, (2010) performed a regression model where dependent variable was "ROA (Return on Assets) and Tobin's Q" and the independent variables were "the board composition", "the percentage of shares owned by directors", "the board size" and "the CEO duality". He found corporate regulatory framework is weak in Bangladesh with domination of individual investors resulted limited transparency and weak disclosure.

Family Ownership and Firm Performance

Villalonga et al.(2015) in his review paper on family firm governance found that families as the most predominant type of concentrated owners around the world, more so than governments, banks, or other corporations which influence researcher to show association between family ownership and firm performance. Basically scholars' sustained interest in family firm literature arises from such form of ownership concentration. Mc Conaughy et al. (1998) and Anderson & Reeb (2003a) find that compared to nonfamily businesses family businesses perform better. Andres (2018) also showed in his multivariate analysis that family firms outperform than non-family based firms. He gave the reason behind is that owner-manager conflicts fail to arise in the first place since family members are part of the executive board which lowers expropriation of financial resources by management. Villalonga et al.(2015) in his review paper identified another reason that family shareholders are likely to be more dedicated principals and more effective monitors than other types of controlling shareholders, because their own wealth is at stake. Thus family management therefore, by decreasing separation between owners and managers, has the ability to generate value by nipping Agency Problem I at the bud.

However Villalonga et al.(2015) found that in family controlled firms controlling shareholders get "private benefits of control" at the expense of the small shareholders through (a) acquisition of controlling stakes (b) use of voting premium (c) dual class stock (d) excessive cash flow right (e) the transfer of assets and profits termed as tunneling. Indeed, all of these will have negative impact on firm value.

To illustrate the problem at hand, the relationship between ownership concentration and firm performance has been the topic of many studies around the world. In many cases these studies yield conflicting results. For instance, Thomsen and Pedersen (2000) ran an ordinary least square regression over 435 largest European companies. They identified positive relation between ownership concentration and firm performance. Firm performance was measured in terms of market-to-book value of equity and asset returns. Industry, capital structure and national effects were used as control variable.

Gedajlovic and Shapiro (2002) also documented a positive influence of ownership concentration on firm performance. They used ordinary least square regression over 334 Japanese companies. Firm performance was used as endogenous variable measured in terms of return on asset. Ownership concentration (independent variable) was determined based on three measures i) ownership by five largest block holders ii) ownership by financial institutions iii) ownership by non-financial institutions. Firm size, firm growth, financial leverage, type of bank was used as control variables.

Founder effect can also play a role in investigating family firm performance. Villalonga & Amit (2006) investigated influence of family involvement on firm performance. They established ordinary least square regression models based on univariate and multivariate analysis. They used several statistical tools including fixed and random effects panel data models, and treatment effect models to ensure robustness. Family firm (considered those firms where family members are officer or directors or having 5% or more of the firm's equity), family ownership stake (the percentage of shares of all classes held by the family as a group), family holdings of votes and shares, founder type (considered only the person responsible for growth and development), governance index (measured as number of governance provisions in the firm's charter, bylaws, or SEC filings), non-family block holders & owners, market risk beta, diversification, Idiosyncratic risk were used as independent variable. Tobin's q and industry adjusted q were dependent variables. Tobin's q was measured as ratio of the firm's market value to total assets and Industry- adjusted q was measured as the difference between the firm's Tobin's q and industry average q. Their study suggested that family ownership creates positive value for firm when founder serves as CEO or chairman with hired CEO.

Andres (2008) also found that family ownership is superior to firm performance only where founding family is still active on the executive or supervisory board. He done univariate analysis of 275 German companies based on ownership stake of families by generation, number and percentage of family firms. He also conducted multivariate analysis where firm performance was used as dependent variable measured in terms of return on asset and tobin's q. Return on asset was measured by dividing EBIT or EBITDA by book value of total asset and tobin's q was measured by as the ratio of the firm's market value to total assets. Type of family firm CEO, firm age, firm size, capital structure, share price volatility and employee participation on board were used as independent variables. Robustness was checked through several econometric tools like pooled ordinary least square regression and linear instrumental variable regression. From his view point family firms outperform than nonfamily firms since most families regard their company as an asset that should be passed on from generation to generation which influence their decision making toward long term profit maximization. On the other side Anderson and Reeb (2003a), they identified that firm value reduces when descendants play the managerial role as CEOs or managers which is consistent with the result of Villalonga & Amit (2006), Andres (2008).

Using two panel regression equations over 361 German companies Lehmann and Weigand (2000), to some degree, find that ownership concentration is negatively related to firm performance. Return on asset was used as dependent variable measured as ratio of gross profit to equity capital. Firm size, firm growth, capital structure were used as independent variable in both the equations. Ownership concentration was used as endogenous in first and exogenous variable in second equation measured by the Herfindahl index of outstanding voting stock and, alternatively, by the percentage stake of the largest shareholder. Amit &Villalonga (2006) also find negative effect on firm value when descendants serving as CEO. Amit &Villalonga (2004) also find negative effect on firm value when descendants serving as CEO. G. Jiang et al. (2009) conducted their study on a sample of 149 Chinese listed manufacturing firms in 1999-2002. The results from the multivariate regression showed that block ownership had negative influence on Change in return on sale– the measurement of firm performance.

Other studies, like De Miguel et al.(2004) used Generalized Method of Moments (GMM) over 135 listed financial companies of Spain. They identified evidence of a nonlinear relationship between ownership concentration and firm performance. Firm performance measured as the ratio of market value of shares to replacement value of total assets was positive at high and low level of ownership but negative at intermediate ownership level. Ownership concentration was measured as percentage of common shares held by shareholders that own significant shares, firm size, debt ratio and intangible asset were used as independent variables.

Lozano et.al. (2016) found that a majority firms are family controlled in Western Europe, Continental Europe, and around the world. He ran regression over 1064 companies from 16 European countries. He used ownership concentration as independent variable which is interacted with several dummy variables like investor protection index, type of owner and owner relation with second significant shareholder. Firm value was used as dependent variable defined as ratio of market value of equity to replacement value of total asset. He found nonlinear relation between family ownership concentration and firm value. His result suggested that with higher ownership concentration expropriation of financial resources is low and vice versa. He also showed that expropriation of minority shareholders is weak in young family business but major shareholders' collusion with minority shareholders is detrimental to firm value.

There are also some studies which indicate no relationship among ownership concentration and performance. Demsetz and Lehn (1985) employed ordinary least square regression to investigate 511 firms of U.S.A. Ownership concentration was used as endogenous variables measured in terms of % of shares held by top 5 shareholders, % of shares held by top 20 shareholders, herfindahl measure of ownership concentration, % of shares controlled by top 5 families and individuals and % of shares controlled by institutional investors. Post-tax accounting profit / book value of equity (proxy of firm performance) was used as independent variable. Their study identified no significant relation between ownership concentration and performance. Welch (2003) investigated the relationship between ownership structure and corporate performance of 114 Australian listed companies. The study used ordinary least squares and two stage least square regression. The ordinary regression result showed no relationship between ownership concentration and the firm performance. Ownership concentration was used as independent variable in ordinary least squares measured in terms of percentage of ordinary shares owned by the top 5 shareholders whereas tobin's q was the average of annual Tobin's Q values measured as ratio of total capital to total asset.

In a developing economy there has been very little work on ownership concentration. Al Farooque, O. et al. (2007) used simultaneous equations approach over 660 Bangladeshi firms to determine relation between ownership structure and performance. They found reverse causality relationship between board ownership and performance. Performance was used as dependent variable in one model and as control variable in another model measured in terms of return on asset or tobin's q. They defined ownership concentration as board shareholding as a percentage of total outstanding shares which was used as both dependent and independent variables. CEO tenure, board shareholdings, shareholdings of financial institutions, non-executive director's ratio, board salary, owner/sponsor-CEO, CEO-chairman duality were used as governance control variables. Firm specific control variables were also used such as audit firm type, firm size, and liquidity ratio, dividend per share, investment ratio, advertising ratio, earnings and profit volatility. In their study they found that board ownership has no influence on firm performance but performance has an influence on board ownership suggest that board members do not enjoy decision authority owing to the existence of prevailing family owner or government.

Imam and Malik (2007) had shown impact of ownership mix (sponsor, institutional & foreign holding) and ownership concentration on performance. Holding period return and tobin's q were used as performance based dependent variables. Listing age, market capitalization, earning per share, leverage, dividend payout ratio, industry type were used as firm specific control variables. Ownership concentration was defined as sponsorship concentration and found positive relation with performance. However relationship between changes in sponsorship holding and firm's return are negatively correlated.

However, Differences in methodology are to a great extent due to the choice of different ownership concentration measures and use of ownership concentration as endogenous or exogenous variable in regression models. A common way to measure ownership concentration is to take the share held by the largest shareholder e.g. (Thomsen & Pedersen, 2000) or the combined share held by a number of the largest owners (De Miguel et al., 2004). In some study used ownership concentration as endogenous (Demsetz and Lehn, 1985) and other used as exogenous (Lozano et.al, 2016, Gedajlovic and Shapiro, 2002). Again some study simultaneously used ownership concentration as exogenous and endogenous variable (Al Farooque, O. et al., 2007; Lehmann and Weigand , 2000).

Conclusion

Disclosure is used as a way of making information transparent. IFRS involve high levels of disclosures. Regulators and standard setters are concerned about the implications of (non-) compliance with disclosure requirements (Abdullah, 2015). Studies (Ahmed and Nicholls, 1994; Ali et al., 2004; Akhtaruddin, 2005) measuring compliance level with accounting standards have become backdated. Consequently, compliance levels may poor or better nowadays. This recommends, as several paths for future research like an investigation of changes in compliance in response to firm specific characteristics with disclosure requirements mandated by IFRSs or to what extent family firms are complying IFRSs disclosure requirements to make their information more transparent. In developing country where most of the companies are concentrated in terms of family members or large shareholders, a study on ownership concentration (for e.g. Al Farooque, O. et al. 2007; Imam & Malik, 2007) has been done on limited basis where none of the research define entrenchment effect of ownership concentration on accounting standards in terms of IFRSs disclosure requirements. Furthermore, weather association between ownership concentration and firm performance gives a signal of manipulation of disclosure requirements by family firms to extract private benefits from dominating minor shareholders with the help of board ownership is still a question.

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